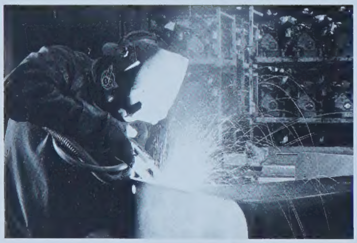
bühler

BUHLER INDUSTRIES INC :: ANNUAL REPORT

2008



» BUHLER INDUSTRIES INC.

Established in 1932 as an agricultural equipment manufacturer, Standard Gas Engine Works was purchased by John Buhler in 1969. Through steady expansion, new products and acquisitions, the Company has experienced steady growth and has evolved into one brand name: Buhler.

Over the years, many brands have joined the Buhler family: Farm King, Allied, Inland and Versatile. Today Buhler operates several modern manufacturing plants and distribution centers. Factories in Morden and Winnipeg, MB, and Fargo, ND, build tractors, front-end loaders, augers, compact implements and more.

In late 2007, Combine Factory Rostselmash Ltd. acquired 80% of the common outstanding shares of Buhler Industries Inc. giving the Company access to the global market.

VERSATILE

The Versatile tractor brand returns with a new logo that includes the well-known Versatile "wings".

» BUHLER VERSATILE INC.

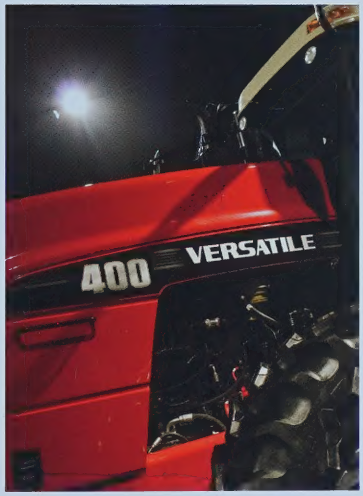
Versatile was the first company to mass-produce articulated four-wheel drive tractors, starting in 1966 with the D100 and G100 four-wheel drives. Those ground-breaking tractors were primitive by modern standards, with a 6-cylinder diesel or 8-cylinder gas engine producing 100 horsepower. 1966 models sold for less than CA$10,000.

Buhler celebrated 40 Years of Versatile tractor production in 2006 and commemorated 50,000 Versatile-Built four-wheel drives in late 2007. At the North American dealer meeting in 2008, the Company announced that the Versatile brand had returned. The reputation of Versatile continues today, known worldwide for reliability, durability and ease of service and maintenance.

» THE NEW PRODUCTS OF 2008

2008 marked an important milestone for the Versatile tractor division with the release of the new articulated four-wheel drive tractors, from 305-400 horsepower. The new tractor is equipped with a wider cab, longer wheelbase, more fuel capacity and a bigger cooling package than the outgoing model. The tractor made its debut in Canada at Manitoba Ag Days in January and was launched in the United States at the National Farm Machinery Show in Louisville, KY.

The Buhler Farm King grain handling division added new auger features to meet the demands of expanding farms. A hydraulic hopper mover and hydraulic winch system were made available on the Backsaver Auger to make it easier to prepare the auger for transport and for positioning the swing-away hopper. Conventional grain augers are now available with a new auger mover, controlled by a handlebar system. As farm help becomes scarce, conventional augers need to be relatively self-contained so they can be moved around the farm with ease.



» VERSATILE 2008 DEALER MEETING

In October 2008, Buhler Versatile Inc. hosted a meeting of North American tractor dealers at the Winnipeg Convention Center. The event was well-attended, with dealers from as far away as Texas making the trip to Manitoba for the event. Several announcements were made at the meeting, including the unveiling of the new Versatile brand and logo and the launch of the new row crop tractor. Changes to the warranty policy were revealed that give Versatile tractors the best warranty in North America with 3-year / 3000 hour powertrain coverage. The dealers received updates on parts distribution, service advancements and Cummins Inc. discussed the continuing partnership with Versatile.

Chief Executive Officer's Message

Yury Ryazanov
CEO

This was the first year Buhler Industries Inc. was controlled by a new major shareholder. It was a huge challenge for the Company, our holdings and Combine Factory Rostselmash Ltd. Very aggressive targets were set for this year.

Satisfyingly, we recognize that the Company achieved attractive financial results and was successful in improving production and management. The Company utilized the best practices from their previous experience and production, but at the same time was able to borrow and implement positive attributes from our Russian experience.

The Buhler tractors became a good compliment to the Rostselmash combines in Eastern Europe, Russia and Kazakhstan, which had a positive affect on both companies. We will continue to improve tractor distribution in Europe, Russia and Kazakhstan through better service, parts backup, training and marketing activity. We would like to add other Buhler products into our dealer network such as augers, loaders and hay equipment. At the same time, we are looking forward to extending existing product lines in North America.

I would like to extend my utmost respect to the Canadian government for their support of our investment, by settling the loan issue originating from the 1980's. This was beneficial for both parties. Buhler Industries Inc. had an opportunity to grow and carry on as the only tractor manufacturer in Canada, as well as being one of four manufacturers of 4WD tractor companies in the world.

We regret that the Company was informed of prior tax penalties by CRA, concerning Buhler Manufacturing business activity in the early 2000's. You will note, these extra tax requirements were restated in our financial report. We will continue to communicate with Canadian authorities and work to achieve a fair adjustment.

The global financial disaster affected all companies and ours was no exception. Next year, our target is to minimize any negative crisis influence and take every opportunity to increase our market share in both North America and overseas.

Yury Ryazanov
Chief Executive Officer and Director
November 27, 2008

President's Message

Dmitry Lyubimov
President & CFO

I proudly claim that after four years of a continual decline in sales and profit, Buhler Industries Inc. has broken this negative trend. For Fiscal 2008, our sales increased 32% ($218.9 million) and net earnings increased to $21.9 million.

There were two main reasons for these achievements; changes in the shareholder structure and a strong demand in the agricultural business around the world. Being the new major shareholder of BUI, we restructured our sales and production activity to make the Company more efficient. Changes were made to our management staff, which created a new pulse.

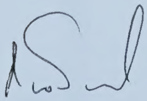
Last year was an exceptional year regarding the strong demand for agricultural equipment and this was due to the growing commodity price. This demand increased our sales in North America of 4WD tractors, augers and compact implements. Our parent company, Combine Factory Rostselmash Ltd., imparted the best distribution network in Eastern Europe. This allowed us to ship overseas double the volume of tractors compared with the previous year.

Unfortunately, we were faced with a dramatic price increase in steel, tires and some major components, which therefore affected our margin. Some shipment deadlines were missed, causing the Company to lose approximately $20 million in sales. This was due to the inability of some of our suppliers to keep up with our production level. We spent considerable time improving our supply chain and it has been very successful.

We still have a lot to do! Next year, we will concentrate on three main directives. First, we must develop our product. Our target is to continue to manufacture simple, yet reliable products, but to improve on the growing requirements of our customers with regard to comfort, design and additional options. Secondly, we must develop our dealer network. We are going to provide our dealers with more benefits for mutual growth, through an aggressive marketing budget, more finance options and better communication. Our third target is our supply chain. We will concentrate on creating long-term relationships with our existing, reliable suppliers and will search for replacements for the weak suppliers.

Next year will definitely be a difficult challenge for everyone. With all the changes we made, our readiness to work hard and the strategy we have in place, we look forward to the future with measured optimism.

Dmitry Lyubimov, MBA
President and Chief Financial Officer
November 27, 2008



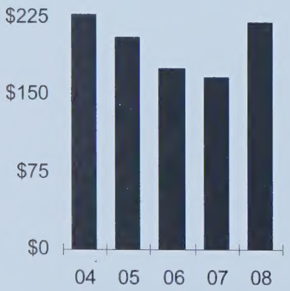
Ten Year Highlights

In thousands of Canadian dollars (except per share amounts)

Year ended Sept. 30	1999	2000	2001	2002	2003 restated	2004 restated	2005 restated	2006 restated	2007 restated	**2008**
Revenue	79,961	116,700	187,633	232,619	181,162	206,130	202,319	175,067	166,189	**218,955**
Gross profit	26,207	30,302	31,410	49,485	41,233	37,601	37,044	33,929	28,495	**43,878**
EBITDA	14,488	15,882	14,518	26,202	21,379	19,534	16,915	14,129	13,391	**35,593**
Income from operations	14,943	16,789	16,527	29,727	25,098	21,311	20,838	17,066	11,951	**27,402**
As percentage of revenue	19%	14%	9%	13%	14%	10%	10%	10%	7%	**13%**
Shareholders equity	47,327	51,659	53,442	61,998	69,282	87,377	90,593	88,795	88,167	**110,077**
Capital expenditures-net	5,960	17,278	3,593	14,546	7,854	4,470	7,515	2,815	3,151	**3,435**
Number of employees	600	1,000	700	800	820	850	850	800	700	**830**
Earnings per share	0.24	0.30	0.30	0.58	0.44	0.37	0.27	0.08	0.27	**0.88**
Book value per share	1.93	2.13	2.27	2.70	3.01	3.59	3.62	3.55	3.53	**4.40**
Avg shares issued (millions)	24.5	24.2	23.5	23.0	23.0	24.3	25.0	25.0	25.0	**25.0**
Return on average capital	18%	14%	8%	18%	13%	11%	8%	5%	7%	**28%**
Return on average equity	13%	15%	13%	23%	18%	14%	10%	5%	8%	**22%**

Management Discussion & Financial Analysis

Sales and Growth (millions)

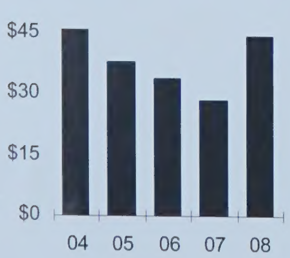


Revenue is up 31.9% to $219.0 million compared with $166.2 million last year. The stability of the Canadian dollar and increasing demand for high horse power tractors in overseas markets had a positive impact on revenue.

Income from Operations (millions)

Operating income of $27.4 million (12.5% of revenue) is up from last year's $12.0 million (7.2% of revenue).

Gross Profit (millions)



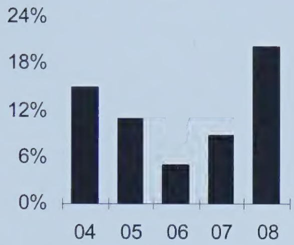
Gross profit increased to $43.9 million (20.0% of revenue) compared with $28.5 million (17.1% of revenue) last year. The strong sales, along with the economies of scale from increasing production levels account for the growth in both volume and percentage increases.

Net Interest Expense (millions)

Interest revenue of $0.2 million was realized vs expense of $1.44 million the prior year. This is attributable to expanding volumes and continued attention to eliminating redundant inventory.

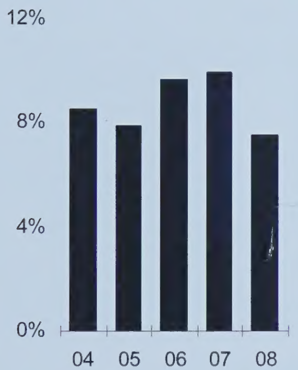
Management Discussion & Financial Analysis

Return on Equity



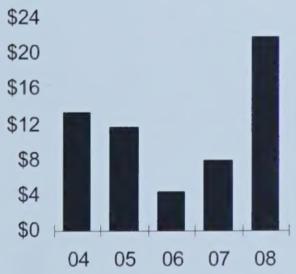
Return on equity of 22.1% has improved compared with last year's 7.8% and is well above our ten year average of 14.1%. Moving forward we believe this ratio will remain strong.

Selling & Administration Expense (% of Revenue)



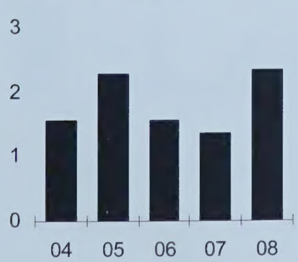
Selling and administration expense as a percentage of revenue decreased to 7.5% compared with 10.0% the prior year. Selling and administration expense was $16.5 million same as last year. Management has worked diligently to control overhead expenses despite the pressure to add overhead to support the increased activity experienced during the year.

Net Earnings (millions)



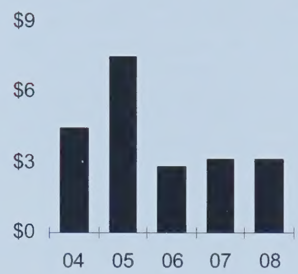
Net earnings increased 218.8% to $21.9 million ($0.88 per share on 25 million shares) compared with $6.9 million ($0.27 per share on 25 million shares) in 2007. The current year's earnings include $9.3 million of debt forgiveness shown as net of $2.09 million in taxes.

Inventory Turns



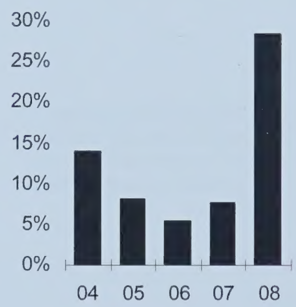
Management has diligently worked to control investment in inventory in order to keep the cash position strong. The turnover ratio is up to 2.35 in the current year as compared to 1.35 last year.

Asset Purchases (millions)



Over the past 10 years, the Company has invested $70.4 million in capital assets. This includes the purchase of the tractor factory in the year 2000 and the Fargo and Saskatoon factories in year 2002. Capital expenditures for other years were mostly for new equipment. The Company invests in state of the art equipment in order to maintain an efficient operation.

Return on Capital



Return on capital of 28.6% is well in excess of the 8.3% last year and higher than our 10 year average of 13.0%. ROC is calculated by dividing the earnings before interest and taxes by the sum of bank debt, long term debt and total equity. Reduction of debt by $18.4 million is a major contributor to the increase in 2008.

Research and Development Expense
The Company continues to invest in R&D, with its goal and commitment to keep its products modern and competitive in the market place. This year's R&D expense is $2.6 million compared with $2.0 million last year.

Evaluation of Disclosure Controls & Procedures
Management has evaluated the effectiveness of Buhler disclosure controls and procedures (as defined in Multilateral Instrument 52-109 of the Canadian Securities Administrators). Management has concluded that, as of September 30, 2008, Buhler's disclosure controls and procedures were effective to provide reasonable assurance that material information relating to Buhler and its consolidated subsidiaries would be made known to them.

Risks
Management considers fluctuations in commodity prices and fluctuations in the Canadian dollar versus the US dollar to be a normal part of conducting business in this industry.

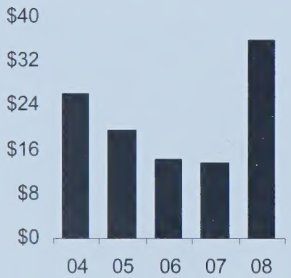
Going forward, the Company considers the degree of risk to be greater until the exchange rates stabilize.

Management Discussion & Financial Analysis

Amortization Expense

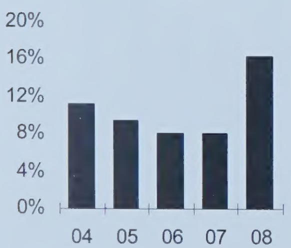
Amortization expense of $3.9 million is down from last year's $4.8 million. This is related to the relatively low current need of capital equipment at this time. The Company has some equipment under lease, but this activity is immaterial at this time. There are no intangible assets or goodwill recorded on the balance sheet.

EBITDA (millions)



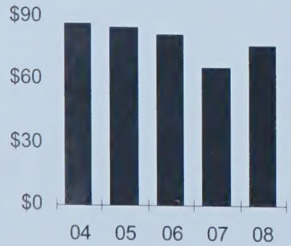
EBITDA of $35.6 million is up from last year's $13.4 million and well above our ten year average of $19.2 million.

EBITDA (as a percentage of revenue)



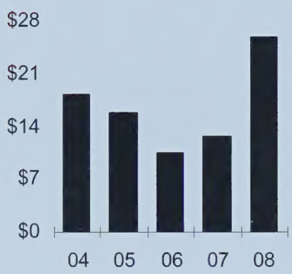
EBITDA as a percentage of revenue now stands at 16.3%, up from last year's 8.1% and below the 10 year average of 13.0%.

Liquidity, Working Capital (millions)



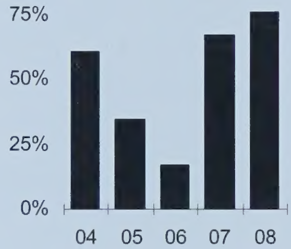
Working capital is up slightly to $76 million compared with $66 million last year.

Net Cash Flow (millions)



The Company generated cash flow of $25.8 million compared with $11.6 million last year. Cash flow is above the 10 year average of $15.1 million. Cash flow is the sum of net after tax earnings, plus amortization.

Cash Flow (as a percentage of debt)

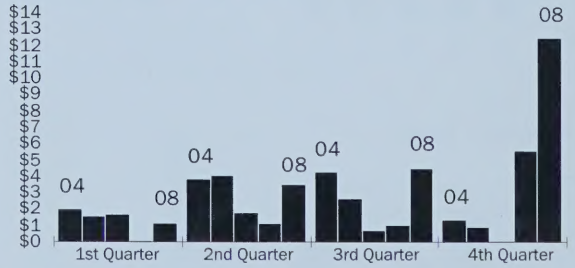


Cash flow as a percentage of debt has improved to 39% compared with 17% last year. This chart measures the percentage of debt that can be paid with one year's cash flow. The Company can now retire 39% of its' total debt with one year's cash flow.

Quarterly Net Earnings Results (000's C$)

	2004 restated	2005 restated	2006 restated	2007 restated	**2008**
1st Q	$ 1,591	$ 1,186	$ 754	$ 128	**$ 1,203**
2nd Q	2,997	2,937	828	971	**3,600**
3rd Q	3,346	1,923	310	947	**4,569**
4th Q	1,032	674	54	4,826	**12,538**
Total	$ 8,966	$ 6,721	$ 1,946	$ 6,872	**$ 21,910**

Net Quarterly Income (millions)



The Company has now completed 40 consecutive years and 144 consecutive quarters of profit.

Management's Responsibility For the Financial Statements

The consolidated financial statements of Buhler Industries Inc. were prepared by management in accordance with accounting principles generally accepted in Canada applied on a consistent basis. The significant accounting policies, which management believes are appropriate for the Company, are described in note 1 to the financial statements. The financial information contained elsewhere in this Annual Report is consistent with that in the financial statements.

Management is responsible for the integrity and objectivity of the financial statements. Estimates are necessary in the preparation of these statements and, based on careful judgments, have been properly reflected. Management has established systems of internal control, which are designed to provide reasonable assurance that assets are safeguarded from loss or unauthorized use and to produce reliable accounting records for the preparation of financial information.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control.

The Audit Committee of the Board is responsible for reviewing the annual consolidated financial statements and reporting to the Board, making recommendations with respect to the appointment and remuneration of the Company's Auditors and reviewing the scope of the audit.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards and applicable laws and maintains proper standards of conduct for its activities.

Yury Ryazanov
Chief Executive Officer
November 27, 2008

Dmitry Lyubimov
President & Chief Financial Officer
November 27, 2008

Auditor's Report

To The Shareholders of Buhler Industries Inc.

We have audited the consolidated balance sheet of Buhler Industries Inc. as at September 30, 2008 and the consolidated statement of earnings and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Winnipeg, Manitoba
November 27, 2008

BCCA LLP.

BCCA LLP
Chartered Accountants

Consolidated Balance Sheets

For the years ended September 30 ($000's C$)	2008	2007 restated
Assets (note 4)		
Current Assets		
Cash	$ 14,512	$ 10,733
Accounts receivable (note 4)	49,324	38,028
Inventories (note 2, 4)	74,492	69,668
Prepaid expenses	1,024	659
Total Current Assets	139,352	119,088
Property plant and equipment (note 3, 4)	25,768	26,871
Long term receivables	7,849	8,030
Advances to related party	-	1,001
Future income taxes (note 8)	5,330	6,629
Investments (note 9)	284	246
Total Assets	$ 178,583	$ 161,865
Liabilities and Shareholders' Equity		
Current Liabilities		
Account payable and accrued liabilities (note 6)	$ 49,622	$ 34,198
Income taxes payable	12,208	9,567
Current portion of deferred revenue and deposits	1,629	6,200
Current obligation under capital lease	66	-
Current portion of long term debt	109	3,274
Total Current Liabilities	63,634	53,239
Advances from related party (note 5, 6)	1,460	-
Deferred revenue	2,827	4,722
Obligation under capital lease (note 16)	72	-
Long term debt (note 7)	513	15,737
Total Liabilities	68,506	73,698
Shareholders' Equity		
Share capital (note 10)	30,000	30,000
Retained earnings	80,077	58,167
Total Shareholders' Equity	110,077	88,167
Total Liabilities and Equity	$ 178,583	$ 161,865

Approved on behalf of the Board:

Director:
Yury Ryazanov
Chief Executive Officer
November 27, 2008

Director:
Dmitry Udras
Director General
November 27, 2008

Consolidated Statement of Earnings

For the years ended September 30 ($000's C$)	2008		2007 restated	
Revenue	$ 218,955		$ 166,189	
Cost of goods sold	175,077		137,694	
Gross Profit	43,878	20.0%	28,495	17.1%
Selling & administration expenses (note 5, 13)	16,476	7.5%	16,544	10.0%
Income from Operations	27,402	12.5%	11,951	7.2%
Gain on disposal of assets	(1,512)		(3,689)	
Interest expense (income)	(221)		1,435	
Amortization	3,933		4,768	
Research and development costs	2,621		2,003	
Non-controlling interest			246	
Net Earnings before Taxes	22,581	10.3%	7,188	4.3%
Provision for Income Taxes (note 8)	7,882		316	
Income before extraordinary item	14,699		6,872	
Extraordinary item net of tax of $2,089 (note 14)	7,211		-	
Net Earnings	$ 21,910	10.0%	$ 6,872	4.1%

Consolidated Statement of Retained Earnings

For the years ended September 30 ($000's C$ except per share amounts)	2008	2007
Retained Earnings beginning of year as previously reported	$ 68,407	$ 67,895
Proposed Tax Reassessment (note 18)	(10,240)	(9,100)
Retained Earnings beginning of year restated	58,167	58,795
Net earnings for the year	21,910	6,872
Dividends	-	(7,500)
Retained Earnings end of year	80,077	58,167
Earnings per share		
Basic	$ 0.88	$ 0.27
Fully diluted	0.88	0.27

Consolidated Statement of Cash Flows

For the years ended September 30 ($000's C$)	2008	2007 restated
Cash provided by (used in) operating activities		
Net earnings	$ 21,910	$ 6,872
Add (deduct) non-cash items		
Amortization	3,933	4,768
Loss (gain) on disposal of assets	(1,512)	(3,689)
Loss (gain) on foreign exchange	(599)	4,176
Deferred gain	1,499	-
Future income taxes	1,299	(3,961)
	26,530	8,166
Net change in non-cash working capital balances*	1,580	49,914
	28,110	58,080
Investing activities		
Increase (decrease) in deferred revenue	(6,466)	10,922
Purchase of capital assets, net of investment tax credits	(3,294)	(3,151)
Proceeds on sale of capital assets	477	9,237
Investments	(38)	(80)
	(9,321)	16,928
Financing activities		
(Increase) decrease in long term receivable	181	(8,030)
Repayment of long term debt	(18,389)	(3,364)
Increase (decrease) in non-controlling interest	-	(766)
Advances (repayment) from related party	2,461	(1,236)
Increase in obligation under capital lease	138	-
Dividends paid	-	(7,500)
	(15,609)	(20,896)
Foreign exchange gain on cash held in foreign currency	599	(4,176)
Net cash provided in the year	3,779	49,936
Cash (debt), beginning of year	10,733	(39,203)
Cash, end of year	$ 14,512	$ 10,733

*Net change in non-cash working capital balances is comprised of:	2008	2007
Accounts receivable	$ (11,296)	$ 4,366
Inventories	(4,824)	35,220
Prepaid expenses	(365)	149
Accounts payable, accrued liabilities and taxes payable	18,065	10,179
Net cash provided (used)	$ 1,580	$ 49,914

Notes to Consolidated Financial Statements

1. Significant Accounting Policies

(a) Basis of consolidation

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada and include the accounts of the Company and all of its subsidiaries, including a 50% joint venture interest in Bradley Steel Processors Inc., which is accounted for using proportionate consolidation.

(b) Inventories

Inventories are stated at the lower of cost and net realizable value. It is the Company's policy to record provisions for obsolete and slow moving inventory based on management estimates. These estimates are necessarily subject to a degree of measurement uncertainty.

(c) Property plant & equipment and amortization

Capital assets are recorded at cost less accumulated amortization and related investment tax credits. Amortization is provided over the estimated useful lives using the following rates and methods:

Buildings	4 to 5%	Straight line
Equipment	20 to 30%	Declining balance
Computers	30%	Declining balance
Software and tools	100%	Year acquired
Paving	6.52% & 5%	Straight line
Leaseholds	20%	Straight line
Signs	20%	Straight line
Fence	5%	Straight line

(d) Revenue recognition

The Company records revenue when goods are shipped and legal title passes to the customer. Interest income is recognized as earned.

(e) Investments

The Company accounts for its investments where significant influence is exercised using the equity method of accounting whereby original costs are increased by the Company's proportionate share of earnings, net of losses, since dates of acquisition and are decreased by dividends received.

(f) Foreign currency translation

The accounts of the United States subsidiaries, which are considered integrated foreign operations, have been translated into Canadian dollars on the following basis:

1) monetary assets and monetary liabilities at the year-end rates of exchange;
2) non-monetary assets and related amortization at rates prevailing at dates of transactions;
3) revenue and expense items, other than amortization, at the average rate for year.

The resulting currency translation gains and losses are included in earnings.

(g) Financial instruments

Foreign exchange and interest rate risk
These are the risks to the Company's earnings that arise from fluctuations in interest rates and foreign exchange rates. The Company does not use any derivative financial instruments to reduce its exposure to interest rate or foreign exchange rate risk.

Other risks
The Company is exposed to credit risk on its accounts receivable. Also, as part of the Company's risk management, the Company will assume some risk in insuring some of its widely held assets.

Fair value
The carrying values of financial assets and financial liabilities are considered to approximate fair value unless otherwise disclosed.

(h) Use of Estimates

The preparation of financial statements in conformity with Canadian Generally accepted accounting principals requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. The more subjective of such estimates is valuation of accounts receivable, inventory, future income tax asset long term receivables and long term investments. Management believes its estimates to be appropriate; however, actual results could differ from the amounts estimated.

2. Inventories (000's C$)	**2008**	2007
Land for development	$ **23**	$ 126
Finished goods	**28,574**	20,435
Work in process	**2,300**	6,126
Raw materials	**43,595**	42,981
	$ **74,492**	$ 69,668

3. Property, Plant & Equipment (000's C$)	Cost	Accum. Amort.	**2008 Net Book Value**	2007 Net Book Value
Land	$ 3,416		$ **3,416**	$ 3,416
Buildings	26,358	$ (12,826)	**13,532**	13,726
Equipment	44,575	(37,471)	**7,104**	7,645
Equipment under capital lease	113	(94)	**19**	-
Equipment held for leasing purposes	1,503	(512)	**991**	1,416
Computers	4,520	(4,016)	**504**	668
Software & tools	2,939	(2,737)	**202**	
	$ 83,424	$ (57,656)	$ **25,768**	$ 26,871

4. Credit Facility

The Company has available a financing facility with the Bank of Montreal in the amount of $60,000,000. The credit facility is secured by a mortgage, debenture, general security agreement and assignment of receivables and inventory. All interest rates are at prime or less.

5. Advances to/from Related Party

The advances from related party is from the majority shareholder, holding 80% of the shares of the Company. The advances were made in the normal course of trade. The advance has no specific terms of repayment.

6. Related Party Transactions (000's C$)	**2008**	2007
Companies and entities Controlled by Officers or Family Members of Officers		
Advances to/(from) Related Party	$ -	$ 1,001
Accounts receivable	-	4,521
Revenue	-	500
Due to Deferred profit sharing plan	**4,950**	-
Immediate Family Members of Controlling Shareholder		
Fees paid for management services	-	114
Controlling Shareholder		
Accounts receivable	**7,170**	-
Miscellaneous payable	**1,460**	-

All transactions with related parties are recorded at the exchange amount agreed to by the related parties.

7. Long Term Debt (000's C$)	**2008**	2007
Long term debt	$ **622**	$ 19,011
Current portion	**109**	3,274
Long term portion	$ **513**	$ 15,737

The unsecured, interest free, Industry Canada loan is repayable in 120 equal monthly installments of $265 commencing July 31, 2003. In 2008, this loan was retired, with Industry Canada forgiving $9,300 of the total due. The U.S. Bank loan (State of North Dakota interest free loan) is repayable over 10 years and is secured by Company assets. Principal payments over the next 5 years in $US are as follows:

2009	$ 102	2012	127
2010	111	2013	124
2011	119		

Notes to Consolidated Financial Statements

8. Income Taxes (000's C$)

	2008	2007
At applicable statutory rate	$ 7,677	$ 2,594
SR&ED tax credits earned	(216)	(2,944)
Large Corporations Tax	25	68
Proposed tax reassessment	-	290
Other	396	308
Income tax provision	$ 7,882	$ 316

Tax paid and future tax (000's C$)
Income taxes paid during the year were $2.8 million (2007 – $1.6 million).

Future income taxes are recorded to reflect the timing differences arising from deduction of warranty costs for income tax purposes and from the amounts of amortization provided in the year compared to the allowances deducted for income tax purposes as well as the benefits of SR&ED tax credits carried forward. Future tax benefits are composed of an asset of $236 relating to amortization of capital assets, a benefit of $2,372 in respect of provisions for warranty, benefit of $2,400 in respect of SR&ED tax credits and other amounts of $322.

9. Investments (000's C$)

	2008	2007
Investments accounted for by the equity method	$ 175	$ 94
Investments held at cost	109	152
	$ 284	$ 246

10. Capital Stock and Options (000's C$)
Authorized, an unlimited number of Class A & B common shares.

	2008		2007	
Issued at Sep 30				
Class A Common	25,000	$30,000	25,000	$30,000

There are no options outstanding as of September 30, 2008

11. Operating Lease Revenue (000'S C$)
During the year the Company received income from operating leases of $210 (2007, $35)

12. Interest Paid (000's C$)

	2008	2007
Operating loan	$ 766	$ 1,459
Long term debt	276	-
	$ 1,042	$ 1,459

13. Lease Commitment (000's C$)
The organization leases automobiles and office equipment under long term operating leases which mature on various dates to September 15, 2013. Minimum annual lease payments to the expiration dates of these leases (including GST and PST) are as follows:

2009	$ 90
2010	65
2011	3
2012	3
2013	3

14. Extraordinary Item
During the year, the Company was the beneficiary of $9.3 million in forgiven debt by Industry Canada. $5 million of the forgiveness is contingent upon maintaining certain mutually agreed upon levels of employment and production over the next 10 years. The contingency is secured by a $5 million mortgage on one of the Company's properties.

15. Segmented Information (000's C$)
The Company has organized its business between agricultural and nonagricultural operations due to the differences in the products and approaches in marketing and manufacturing in both segments. The agricultural equipment segment produces a wide variety of agricultural equipment, whereas the non-agricultural operations consist primarily of custom metal fabrication.

	2008		2007	
	Canada	US	Canada	US
Revenue	$ 191,838	$ 27,119	$ 143,563	$ 22,626
Earnings	23,728	(728)		
Propert, plant & Equipment	18,429	7,339	19,285	7,586
	Ag	Non-Ag	Ag	Non-Ag
Revenue	$ 215,058	$ 3,899	$ 157,749	$ 8,440
Interest revenue	1,697	335	852	22
Interest expense	1,042	-	1,455	4
Earnings	22,051	949	7,604	408
Assets	166,623	10,113	146,317	15,548

Included in Canadian revenue are export sales, primarily to the United States, of $160 million (2007 - $113 million). The accounting policies of the segments are the same as described in the note for significant accounting policies. The Company accounts for inter-segment sales at current market prices. Revenue from the top two customers was $15.3 million and $15.1 million, both in the agricultural segments.

16. Obligation Under Capital Lease (000's C$)

	2008	2007
To Cisco Systems Capital, requiring monthly payments of $5,526 (including maintenance of $1,800 excluding sales tax) with the final payment due October 31, 2010.	$ 138	$ -
Less current portion	66	-
	$ 72	$ -

Minimum payments over the next 5 years are as follows:

2009	$ 66	2011	6
2010	66		

17. Deferred Profit Sharing Plan
In 1995, the Company established a Deferred Profit Sharing Plan for its employees. The Company contributes funds to the plan annually as determined by the Board of Directors, subject to certain maximum limits established by the plan. Contributions are used to purchase common shares of the Company for the employees from the plan trust. The plan trust owns approximately 150,000 Buhler shares.

18. Proposed Tax Reassessment (000's C$)
In the interest of conservatism, the Company is recording as a prior period adjustment a proposed tax reassessment from Canada Revenue Agency. The Company believes the reassessment is without merit and is vigorously disputing it.

As a result, the 2007 accounts payable and accrued liabilities were understated by $2,310 and income taxes payable were understated by $7,930. The comparative figures have been restated to properly reflect the accounts payable and accrued liabilities, income taxes payable and opening retained earnings.

On the comparative statement of earnings, interest expense increased by $850, the provision for income taxes has been increased by $290 and the opening retained earnings for the 2007 year has been increased by $9,100 representing the cumulative effect of the error on previous year's net earnings.

Company Profile

Buhler Industries Inc. was established in 1932 and operated as Standard Gas Engine Works until the Company was purchased by John Buhler in 1969. The Company has since grown to become a significant player in the farm equipment industry.

Today, the Company operates eight modern manufacturing plants and eight distribution centers totaling over 1.6 million square feet of facilities and employing over 800 people. The Company remains strongly committed to its core business as a manufacturer of a wide range of agricultural equipment marketed overseas and throughout North America under the brand names: "Buhler", "Allied", "Farm King", "Inland" and "Buhler Versatile".

In 2000, the Company purchased the only tractor manufacturing plant in Canada. Ranging from 145 hp to 535 hp, the tractors became the perfect compliment to the Company's long standing portfolio of short line farm equipment, which includes grain augers, 3-point hitch attachments, front-end loaders and haying equipment.

On October 31, 2007, Combine Factory Rostselmash Ltd. purchased 80% of the shares of Buhler Industries Inc.

Audit Committee
Allan L.V. Stewart
Konstantin Babkin
Oleg Gorbunov

Corporate Banker
Bank of Montreal
Winnipeg, Manitoba

Corporate Office
1260 Clarence Avenue
Winnipeg, Manitoba, R3T 1T2
Ph.: (204) 661.8711 Fax: (204) 654.2503
Website: www.buhler.com

Legal Counsel
Perlov Stewart LLP
Winnipeg, Manitoba

Cusip Number
119 918 100

Auditors
BCCA LLP
Winnipeg, Manitoba

Exchange Listing
The shares of Buhler Industries Inc. are listed on the Toronto Stock Exchange and trading under the symbol "BUI".

Transfer Agent
Computershare Trust Company of Canada
Calgary, Alberta

Annual Meeting
The annual meeting of shareholders will be held on Wednesday, March 18th, 2009 11:00 AM at the Head Office, 1260 Clarence Avenue, Winnipeg Manitoba.

Directors, Officers and Senior Management

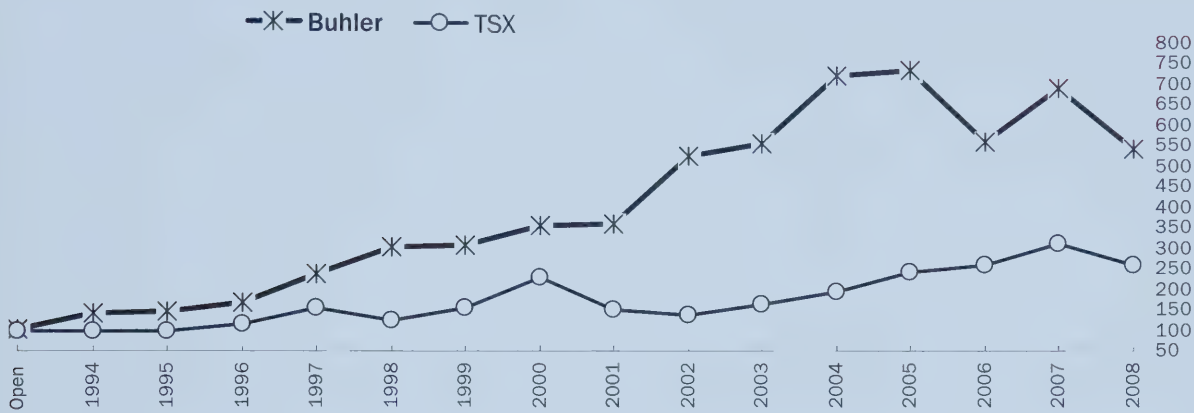
Name	Office	Principal Occupation
Dmitry Udras	Chairman/Officer	Director General of Novoe Sodrugestvo, CJSC
Yury Ryazanov	Director/Officer	Vice President of Novoe Sodrugestvo, CJSC
Konstantin Babkin	Director	Chairman of the Board of Directors of Novoe Sodrugestvo, CJSC
Oleg Gorbunov	Director	Deputy Head of Government Bank, Russia
Allan Stewart, B.A., LL.B.	Director	Lawyer, Perlov Stewart LLP
John Buhler	Director	President, Highland Park Financial Inc.
Dmitry Lyubimov	Officer	President and CFO, Buhler Industries Inc.
Maxim Loktionov	Officer	Vice President, Buhler Industries Inc.
Grant Adolph, P. Mgr	Management	Chief Operating Officer, Buhler Industries Inc.
Eric Allison	Management	Director of Sales, Tractor division
Bill Morgan	Management	Director of Sales, Short Line Division
Alex Buchko, CA, CPA	Management	Director of Finance, Buhler Industries Inc.
Min Lee, I.S.M.	Management	Chief Information Officer, Buhler Industries Inc.
Todd Trueman, C.I.M. P.Mgr	Management	Director of Human Resources, Buhler Industries Inc.

Ten Year Summary

	1999	2000	2001	2002	2003 restated	2004 restated	2005 restated	2006 restated	2007 restated	2008
Summary of Operations					In thousands of Canadian dollars (except per share amounts)					
Revenue	79,961	116,700	187,633	232,619	181,162	206,130	202,319	175,067	166,189	**218,955**
Cost of goods sold	53,754	86,398	156,223	183,134	139,929	168,529	165,275	141,138	137,694	**175,077**
Gross profit	26,207	30,302	31,410	49,485	41,233	37,601	37,044	33,929	28,495	**43,878**
Selling & admin. expense	11,264	13,513	14,883	19,758	16,135	16,290	16,206	16,863	16,544	**16,476**
Income from operations	14,943	16,789	16,527	29,727	25,098	21,311	20,838	17,066	11,951	**27,402**
Gain on sale of capital assets	(346)	(1,039)	(733)	(134)	(726)	(2010)	(119)	(801)	(3,689)	**(1,512)**
Interest expense (Income)	434	671	1,032	369	793	(68)	492	3,094	1,435	**(221)**
Amortization	5,126	5,520	7,684	7,339	6,894	6,812	6,411	6,133	4,768	**3,933**
Research & development exp.	577	1,043	1,895	2,850	3,683	2,903	3,342	3,183	2,003	**2,621**
Non-controlling interest	224	903	847	809	762	884	700	555	246	**-**
Net Earnings before taxes	8,928	9,691	5,802	18,494	13,692	12,790	10,012	4,902	7,188	**22,581**
Income taxes	3,131	2,393	(1,313)	5,134	3,648	3,824	3,291	2,956	316	**7,882**
Extraordinary items										**7,211**
Net Earnings	5,797	7,298	7,115	13,360	10,044	8,966	6,721	1,946	6,872	**21,910**
Cash Flow Summary										
Capital asset purchases	5,960	17,278	3,593	14,546	7,854	4,470	7,515	2,815	3,151	**3,294**
Long-term debt incurred	2,417	31,656	-	-	-	-	-	-	-	**-**
Reduction of long-term debt	-	-	2,894	795	1,657	3,628	3,360	3,315	3,364	**18,389**
Dividends Paid	1,992	2,209	2,435	2,584	2,760	2,990	3,500	3,750	7,500	**-**
Net cash flow	10,923	12,818	14,799	20,699	16,938	15,778	13,132	8,079	11,640	**25,843**
Net cash (Bank indebtedness)	(4,043)	(12,040)	(9,939)	(14,258)	(16,560)	15,360	(17,129)	(39,203)	10,733	**14,512**
Balance Sheet Summary										
Acc'ts rec, cash & ppd. exp.	13,793	46,789	27,277	40,094	41,777	51,222	38,138	43,202	49,420	**64,860**
Inventory	20,610	52,846	60,179	70,361	90,495	73,762	105,979	104,888	69,668	**74,492**
Total current assets	34,403	99,635	87,456	110,455	132,272	124,984	144,117	148,090	119,088	**139,352**
Total assets	74,843	149,073	127,531	156,305	178,281	167,405	187,000	184,960	161,865	**178,583**
Total current liabilities	14,195	54,038	41,783	49,860	51,012	41,600	64,727	74,423	53,239	**63,634**
Total short and long term debt	7,587	47,240	42,245	57,743	60,409	29,870	45,398	61,813	19,011	**622**
Total liabilities	27,516	97,414	74,089	94,307	109,178	80,028	96,407	96,165	73,698	**68,506**
Total shareholders equity	47,327	51,659	53,442	61,998	69,282	87,377	90,593	88,795	88,167	**110,077**
Shares o/s (avg. in millions)	24.5	24.2	23.5	23.0	23.0	24.3	25.0	25.0	25.0	**25.0**
Working capital	20,208	45,597	45,673	60,595	81,260	83,384	79,390	72,021	65,849	**75,718**
Data Per Common Share										
Revenue	$ 3.27	$ 4.82	$ 7.98	$ 10.11	$ 7.88	$ 8.47	$ 8.09	$ 7.00	$ 6.65	**8.76**
EBITDA	0.59	0.66	0.62	1.14	0.93	0.80	0.68	0.57	0.54	**1.05**
Price to EBITDA	5.2	5.4	5.8	4.6	6.0	9.0	10.9	9.9	12.9	**5.14**
EBIT	0.38	0.43	0.29	0.82	0.63	0.52	0.42	0.32	0.34	**0.89**
Net earnings	0.24	0.30	0.30	0.58	0.44	0.37	0.27	0.08	0.27	**0.88**
Price to earnings	12.91	11.85	11.90	9.04	12.75	19.54	27.34	71.94	25.10	**6.17**
Cash flow	0.45	0.53	0.63	0.90	0.74	0.65	0.53	0.32	0.47	**1.03**
Dividends Paid	0.08	0.09	0.10	0.11	0.12	0.13	0.14	0.15	0.30	**0.00**
Closing share price	3.06	3.57	3.60	5.25	5.57	7.20	7.35	5.60	6.90	**5.41**
Shareholders' equity	1.93	2.13	2.27	2.70	3.01	3.59	3.62	3.55	3.53	**4.40**
STATISTICAL DATA										
Current ratio	2.4	1.8	2.1	2.2	2.7	3.3	2.5	2.3	2.2	**2.2**
Interest bearing debt?equity ratio	0.1	0.2	0.2	0.2	0.2	-	0.2	0.4	0.1	**-**
Inventory turnover	2.7	2.8	2.6	2.6	1.5	2.3	1.6	1.3	2.0	**2.4**
Gross margin (% of revenue)	32.8%	26.0%	16.7%	21.3%	22.8%	18.2%	18.3%	19.4%	17.1%	**20.0%**
Selling & Admin. (% of revenue)	14%	12%	8%	8%	9%	8%	8%	10%	10%	**8%**
EBITDA (% of revenue)	18%	14%	8%	11%	12%	10%	9%	8%	7%	**16%**
Net earnings (% of revenue)	7%	6%	4%	6%	6%	6%	5%	3%	5%	**10%**
Return on average capital	18%	14%	8%	18%	13%	11%	8%	5%	8%	**29%**
Return on average equity	13%	15%	13%	23%	18%	14%	10%	5%	8%	**22%**

Stock Data

Buhler *(excluding dividends)* **compared with TSX Index**
1994 to September 30, 2008



Daily Closing Price

Opened March 25, 1994 at $1.05
Closed November 27, 2008 at $5.40

Year end Sept. 30	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
High	2.10	1.60	1.98	2.54	4.25	3.25	3.74	3.75	5.50	5.92	7.30	7.63	7.60	7.25	6.90
Low	1.05	1.10	1.37	1.70	2.45	2.35	2.70	3.00	3.48	5.20	5.48	7.00	4.35	5.30	5.00
Close	1.40	1.45	1.66	2.39	3.05	3.06	3.57	3.60	5.25	5.57	7.20	7.35	5.60	6.90	5.40
Trading Volume *(000's)*	1,311	867	1,927	3,015	4,134	2,274	1,092	2,800	1,836	1,321	5,024	1,703	3,010	5,637	2,138

www.buhler.com

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NOTICE TO READER OF THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The financial statements of Buhler Industries Inc. and the accompanying interim consolidated balance sheet as at December 31, 2008 and the interim consolidated statements of earnings, retained earnings and cash flows for the three month period then ended are the responsibility of the Company's management. These consolidated financial statements have not been audited or reviewed on behalf of the shareholders by the independent external auditors of the Company.

The interim consolidated financial statements have been prepared by management and include the selection of appropriate accounting principles, judgments and estimates necessary to prepare these financial statements in accordance with Canadian generally accepted accounting principles.

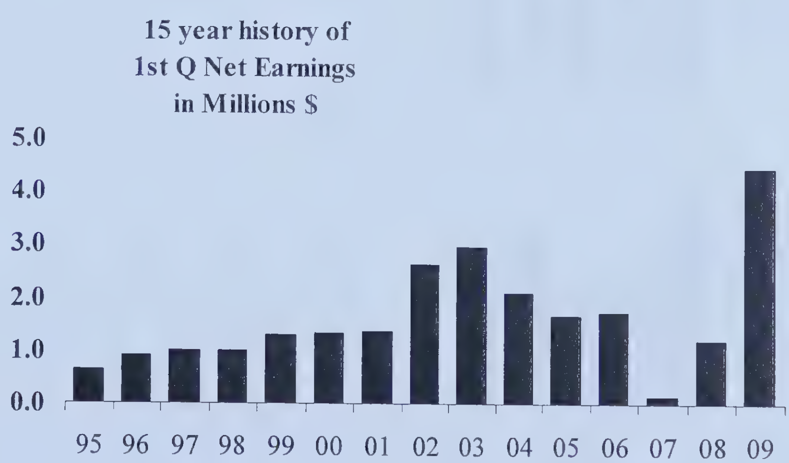
Yury Ryazanov
Chief Executive Officer
February 5, 2009

Dmitry Lyubimov
President and Chief Financial Officer
February 5, 2009

bühler

First Quarter report

December 31, 2008



Buhler has recorded 40 consecutive years and 145 consecutive quarters of profit.

A Leading Manufacturer and Distributor of Farm Equipment

Management Discussion & Financial Analysis

Revenue in the first quarter is $57.1 million, up by $24.7 million or 76% over the first quarter in the prior year. The first quarter is historically by far our weakest quarter, so the increase is significant. Gross profit percentage has increased marginally to 20.4% from 19.6% in the prior year primarily from the economies of scale that have been realized from the increase in manufacturing activity.

The above increase in sales, however, is still less than we were hoping for. The tractor sales, although accounting for most of the corporate increase in revenue, have been depressed by industry wide disturbances in the supply chain for certain components. The Company is doing everything it can on a global basis to alleviate these problems.

The sales of our short-line products are up approximately 18% from the first quarter in the prior year. Our manufacturing facilities for short-line product continue to operate near capacity. The increases in volume are primarily due to the on going re-engineering of our manufacturing processes. We feel there is still much potential for further increases in this regard.

The increase in sales volume and manufacturing activity has required a large working capital requirement, primarily in inventory and receivables. The Company will extend the policy from last year of not paying a dividend, in order to help finance this expansion.

First quarter selling and administrative expenses are up in the current year to $4.0 million from $3.5 million the year before. Almost all of the increase is due to increased manpower to support the growth.

Looking Forward

The effects on the Company as a result of the world wide financial crisis have so far been minimal. We do share the same concern of others concerning the financial crisis and the uncertainty of it's end results and the speed change. The Company's Balance Sheet remains strong, with a solid working capital ratio and only $1.5 million in zero or low interest debt. The Company's banking relationships remain strong. We are well positioned to weather the financial crisis. The Company remains committed to it's long term strategic growth plan.

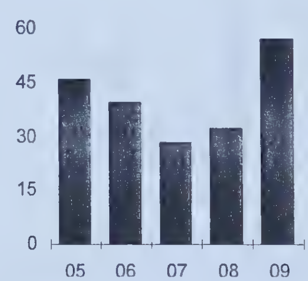
The recent weakness in the Canadian dollar has somewhat helped our margins. However, it has the reverse effect on the product produced at the Company's American based manufacturing facilities. Overall, our continued implementation of cost saving measures will prove to be the most important factor in increasing margins.

The Company had a self imposed moratorium on the acquisition of new product lines over the last year. This was to allow the new majority owners the opportunity to understand the Company and to allow the management group to focus on creating manufacturing efficiencies. We realize that the economic times are such that favourable opportunities may present themselves.

In summary and with reserved confidence, we are looking forward to the Company's future.

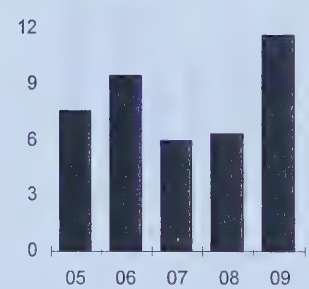
Dmitry Lyubimov
President and Chief Financial Officer
February 5, 2009

Sales and Growth *(millions C$)*



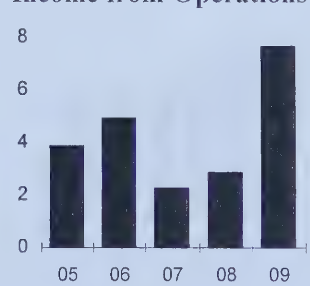
Revenue for the first quarter increased by 76% to $57.1 million compared with $32.4 million last year. The increase from last year is significant, but could have been higher if not for interruptions in the supply chain.

Gross Profit *(millions C$)*



Gross profit for the first quarter increased to $11.6 million (20.4% of revenue) compared with last year's $6.4 million (19.6% of revenue). Last fiscal year we realized 20.0% as a percentage of revenue.

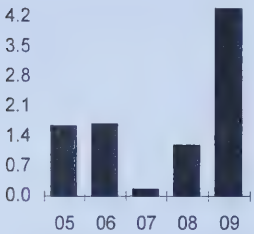
Income from Operations *(millions C$)*



Income from operations increased to $7.6 million or 13.4% of revenue compared with $2.9 million or 8.9% of revenue last year. Last fiscal year income from operations was 12.5% as a percentage of revenue.

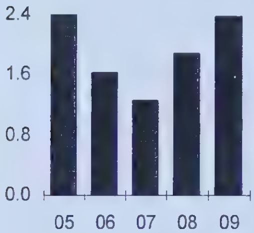
Management Discussion & Financial Analysis

Net Earnings *(millions C$)*



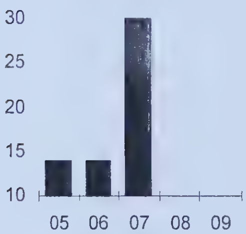
Net earnings for the first quarter increased to $4.4 million ($0.18 per share) compared with $1.2 million ($0.05 per share) last year.

Inventory Turns



Inventory turns increased to 2.4 from an all time low of 1.9 last year. This ratio is based on 12 month rolling averages of sales and inventory. The increase is due to effectively managing inventory levels with respect to the increases in revenue.

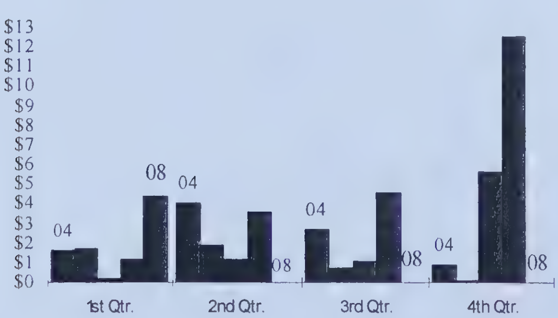
Dividends *(cents C$)*



The Company has not paid a dividend since the 2007 fiscal year. Earnings are being re-invested in the Company to fund it's growth.

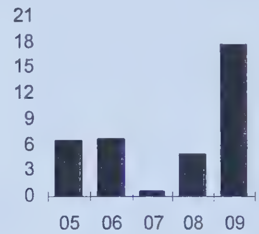
Quarterly Net Earnings Results *(000's C$)*

	2005 restated	2006 restated	2007 restated	2008 restated	2009
1st Q	$ 1,186	$ 754	$ 128	$ 1,203	**$ 4,429**
2nd Q	2,937	828	971	3,600	
3rd Q	1,923	310	947	4,569	
4th Q	674	54	4,826	12,538	
Total	**$ 6,721**	**$ 1,946**	**$ 6,872**	**$21,910**	**$ 4,429**



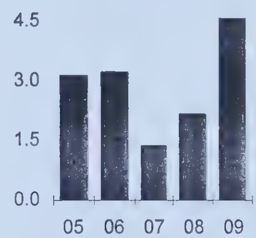
Earnings have improved dramatically from the record low first quarter earnings in 2007. To date the economic slow down in the general economy has not had a significant effect on the Company's results.

Net Earnings *(cents per share C$)*



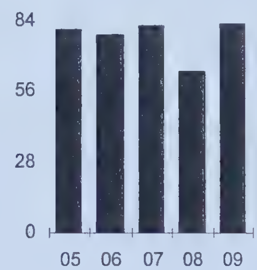
Earnings per share increased to eighteen cents per share from five cents the prior year. There are no options issued or outstanding and the number of shares outstanding remains at 25 million.

Net Cash Flow *(millions C$)*



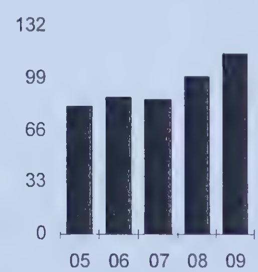
The Company generated $5.4 million cash flow in the first quarter, up 245% from last year's $2.2 million. Cash flow is the sum of net after tax earnings plus amortization.

Liquidity, Working Capital *(millions C$)*



Working capital of $82.3 million is up from last year's $73.2 million. The current ratio has slipped slightly to 2.1 from 2.5. The healthy working capital combined with the Company's line of credit provides adequate cash reserves for continued expansion.

Equity *(millions C$)*



Equity has increased to $114.5 million or $4.58 per share compared with last year's $99.6 million or $3.98 per share.

Consolidated Balance Sheets

Buhler Industries Inc. 1st Quarter Fiscal 2009

Unaudited first quarters ended December 31 ($000's C$)	**2008**	2007
ASSETS		restated
Current Assets		
Cash	$ -	$ 12,050
Accounts receivable	53,974	21,659
Inventories (note 2)	101,159	78,423
Prepaid expenses	1,651	155
Total Current Assets	156,784	112,287
Property plant and equipment (note 3)	25,116	26,053
Long term receivables	7,735	8,657
Related party loan (note 5)	-	263
Future income taxes	5,389	6,620
Investments - at cost	284	246
Total Assets	$ 195,308	$ 154,126
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Bank indebtedness (note 4)	$ 14,051	$ -
Account payable and accrued liabilities	42,866	21,345
Income taxes payable	15,593	10,240
Current portion of deferred revenue & deposits	1,629	9,471
Current obligation under capital lease	66	-
Current portion of long term debt	219	3,276
Total Current Liabilities	74,424	44,332
Advances from related party (note 6)	2,692	-
Deferred revenue	2,361	4,979
Obligation under capital lease	56	-
Long term debt (note 7)	1,269	15,445
Total Liabilities	80,802	64,756
SHAREHOLDERS' EQUITY		
Share capital (note 9)	30,000	30,000
Retained earnings	84,506	59,370
Total Shareholders' Equity	114,506	89,370
Total Liabilities and Equity	$ 195,308	$ 154,126

Consolidated Statements of Earnings and Retained Earnings

Buhler Industries Inc. 1st Quarter Fiscal 2009

Unaudited *(000's C$) except per share amounts*

	Three Months Ended December 31			
	2008		2007 restated	
Revenue	$ 57,097		$ 32,405	
Cost of Goods Sold	45,449		26,045	
Gross Profit	11,648	20.4%	6,360	19.6%
Selling & administration expenses	4,014	7.0%	3,479	10.7%
Income From Operations	7,634	13.4%	2,881	8.9%
Loss (gain) sale capital assets	(384)		(402)	
Interest expense (income)	212		125	
Amortization	973		947	
Research & Development	680		476	
Earnings Before Taxes	6,153	10.8%	1,735	5.4%
Provision for income taxes	1,724		532	
NET EARNINGS	$ 4,429	7.8%	$ 1,203	3.7%
Retained Earnings, beginning period as previously reported	80,077		68,407	
Proposed tax reassessment			(10,240)	
Retained Earnings beginning period as restated	80,077		58,167	
Retained Earnings, End of Period	$ 84,506		$ 59,370	
Earnings per share *(fully diluted)*	$ 0.18		$ 0.05	

Buhler *(excluding dividends)* **compared with TSX Index**
1994 to December 31, 2008

Consolidated Statement of Cash Flows

For 3 months ended December 31 (000's)	2008	2007
Cash provided by (used in) operating activities		
Net earnings	$ 4,429	$ 1,203
Add (deduct) non-cash items		
Amortization	973	947
Loss (gain) on disposal of assets	(384)	(402)
Loss (gain) on foreign exchange	(127)	290
Deferred gain	374	-
Future income taxes	(59)	10
	5,206	2,048
Net change in non-cash working capital balances*	(35,315)	(4,052)
	(30,109)	(2,004)
Investing activities		
Increase in deferred revenue	(466)	3,522
Purchase of capital assets, net of investment tax credits	(339)	(404)
Proceeds on sale of capital assets	28	674
	(777)	3,792
Financing activities		
Increase in long term receivables	114	(627)
Increase In long term debt	917	
Repayment of long term debt	(51)	(292)
Decrease in obligation under capital lease	(16)	-
Advances (repayment) from related party	1,232	738
	2,196	(181)
Foreign exchange gain on cash held in foreign currency	127	(290)
Net cash provided (used) in the period	(28,563)	1,317
Bank balance (debt), beginning of period	14,512	10,733
Bank balance (debt), end of period	$ (14,051)	$ 12,050
***Net change in non-cash working capital balances is comprised of:**		
Accounts receivable	$ (4,650)	16,379
Inventories	(26,667)	(8,755)
Prepaid expenses	(627)	504
Accounts payable, accrued liabilities and taxes payable	(3,371)	(12,180)
Net cash provided (used)	$ (35,315)	$ (4,052)

Notes to Consolidated Financial Statements

1. Significant Accounting Policies

(a) Basis of consolidation
The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada and include the accounts of the Company and all of its subsidiaries, including a 50% joint venture interest in Bradley Steel Processors Inc., which is accounted for using proportionate consolidation.

(b) Inventories
Inventories are stated at the lower of cost and net realizable value. It is the Company's policy to record provisions for obsolete and slow moving inventory based on management estimates. These estimates are necessarily subject to a degree of measurement uncertainty.

(c) Property plant & equipment and amortization
Capital assets are recorded at cost less accumulated amortization and related investment tax credits. Amortization is provided over the estimated useful lives using the following rates and methods:

Buildings	4 to 5%	Straight line
Equipment	20 to 30%	Declining balance
Computers	30%	Declining balance
Software and tools	100%	Year acquired
Paving	6.52% & 5%	Straight line
Leaseholds	20%	Straight line
Signs	20%	Straight line
Fence	5%	Straight line

(d) Revenue recognition
The Company records revenue when goods are shipped and legal title passes to the customer. Interest income is recognized as earned.

(e) Investments
The Company accounts for its investments where significant influence is exercised using the equity method of accounting whereby original costs are increased by the Company's proportionate share of earnings, net of losses, since dates of acquisition and are decreased by dividends received.

(f) Foreign currency translation
The accounts of the United States subsidiaries, which are considered integrated foreign operations, have been translated into Canadian dollars on the following basis:

1) monetary assets and monetary liabilities at the year-end rates of exchange;
2) non-monetary assets and related amortization at rates prevailing at dates of transactions;
3) revenue and expense items, other than amortization, at the average rate for the year.

The resulting currency translation gains and losses are included in earnings.

(g) Financial instruments
Foreign exchange and interest rate risk
These are the risks to the Company's earnings that arise from fluctuations in interest rates and foreign exchange rates. The Company uses derivative financial instruments to reduce its exposure to interest rate or foreign exchange rate risk.

Other risks
The Company is exposed to credit risk on its accounts receivable. Also, as part of the Company's risk management, the Company will assume some risk in insuring some of its widely held assets.

Fair value
The carrying values of financial assets and financial liabilities are considered to approximate fair value unless otherwise disclosed.

(h) Use of Estimates
The preparation of financial statements in conformity with Canadian Generally accepted accounting principals requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. The more subjective of such estimates is valuation of accounts receivable, inventory, future income tax asset long term receivables and long term investments. Management believes its estimates to be appropriate; however, actual results could differ from the amounts estimated.

2. Inventories (000's C$)	2009 Q1	2008Y/E
Land for development	$ 21	$ 23
Finished goods	46,927	28,574
Work in process	3,449	2,300
Raw materials	50,762	43,595
	$ 101,159	$ 74,492

3. Property, Plant & Equipment (000's C$)	Cost	Accum. Amort.	2009 Q1 Net Book Value	2008Y/E Net Book Value
Land	$ 3,416		$ 3,416	$ 3,416
Buildings	26,360	$ (13,066)	13,294	13,532
Equipment	44,592	(37,804)	6,788	7,104
Equipment under capital lease	113	(96)	17	19
Equipment held for leasing				
Purposes	1,503	(586)	917	991
Computers	4,412	(3,959)	453	504
Software & tools	3,127	(2,896)	231	-
	$ 83,523	$ (58,407)	$ 25,116	$ 25,768

4. Credit Facility

The Company has available a financing facility with the Bank of Montreal in the amount of $60,000,000. The credit facility is secured by a mortgage, debenture, general security agreement and assignment of receivables and inventory. All interest rates are at prime or less.

5. Advances to/from Related Party

The advances from related party are from the majority shareholder, holding 80% of the shares of the Company. The advances were made in the normal course of trade. The advance has no specific terms of repayment.

6. Related Party Transactions (000's C$)	2009 Q1	2008Y/E
Controlling Shareholder		
Accounts receivable	$ 17,160	$ 7,170
Miscellaneous payable	2,692	1,460

All transactions with related parties are recorded at the exchange amount agreed to by the related parties.

7. Long Term Debt (000's C$)	2009 Q1	2008Y/E
Long term debt	$ 1,488	$ 622
Current portion	219	109
Long term portion	$ 1,269	$ 513

The unsecured, interest free, Industry Canada loan is repayable in 120 equal monthly installments of $265 commencing July 31, 2003. In 2008, this loan was retired, with Industry Canada forgiving $9,300 of the total due.

The U.S. Bank loan (State of North Dakota interest free loan) is repayable over 10 years and is secured by Company assets. Principal payments over the next 5 years in $US are as follows:

2009	$ 82
2010	111
2011	119
2012	127
2013	124

The U.S. Bank loan (State of North Dakota PACE loan) is repayable over 7 years and is secured by a specific piece of equipment. Interest is currently being charged at 1% with a buy down provision at the end of term. Principal payments over the next 5 years in $US are as follows:

2009	$ 58
2010	82
2011	87
2012	93
2013	98

Notes to Consolidated Financial Statements

8. Investments (000's C$)

	2009 Q1	2008Y/E
Investments accounted for by the equity Method	$ 175	$ 175
Investments held at cost	109	109
	$ 284	$ 284

9. Capital Stock and Options (000's C$)
Authorized, an unlimited number of Class A & B common shares.

	2009 Q1		2008 Y/E	
Issued at Sep 30				
Class A Common	25,000	$30,000	25,000	$30,000

10. Operating Lease Revenue (000'S C$)
During the quarter the Company received income from operating leases of $53 (2008, $210)

11. Interest Paid (000's C$)

	2009 Q1	2008Y/E
Operating loan	$ 272	$ 766
Long term debt	-	276
	$ 272	$ 1,042

12. Lease Commitment (000's C$)
The organization leases automobiles and office equipment under long term operating leases which mature on various dates to September 15, 2013. Minimum annual lease payments to the expiration dates of these leases (including GST and PST) are as follows:

2009	$ 90	2012	3
2010	65	2013	3
2011	3		

13. Obligation Under Capital Lease (000's C$)

	2009 Q1	2008Y/E
To Cisco Systems Capital, requiring monthly payments of $5,526 (including maintenance of $1,800 excluding sales tax) with the final payment due October 31, 2010.	$ 138	$ 138
Less current portion	66	66
	$ 72	$ 72

Minimum payments over the next 5 years are as follows:

2009	$ 50
2010	66
2011	6

14. Deferred Profit Sharing Plan
In 1995, the Company established a Deferred Profit Sharing Plan for its employees. The Company contributes funds to the plan annually as determined by the Board of Directors, subject to certain maximum limits established by the plan. Contributions are used to purchase common shares of the Company for the employees from the plan trust. The plan trust owns approximately 150,000 Buhler shares.

15. Proposed Tax Reassessment (000's C$)
In the interest of conservatism, the Company is recording as a prior period adjustment a proposed tax reassessment from Canada Revenue Agency. The Company believes the reassessment is without merit and is vigorously disputing it.

As a result, the 2007 accounts payable and accrued liabilities were understated by $2,310 and income taxes payable were understated by $7,930. The comparative figures have been restated to properly reflect opening retained earnings.

Directors, Officers and Senior Management

Name	Office	Principal Occupation
Dmitry Udras	Chairman/Officer	Director General of Novoe Sodrugestvo, CJSC
Yury Ryazanov	Director/Officer	Vice President of Novoe Sodrugestvo, CJSC
Konstantin Babkin	Director	Chairman of the Board of Directors of Novoe Sodrugestvo, CJSC
Oleg Gorbunov	Director	Deputy Head of Government Bank, Russia
Allan Stewart, *B.A., LL.B.*	Director	Lawyer, Perlov Stewart LLP
John Buhler	Director	President, Highland Park Financial Inc.
Dmitry Lyubimov	Officer	President and CFO, Buhler Industries Inc.
Maxim Loktionov	Officer	Vice President, Buhler Industries Inc.
Grant Adolph, *P.Mgr.*	Management	Chief Operating Officer, Buhler Industries Inc.
Eric Allison	Management	Director of Sales, Tractor division
Bill Morgan	Management	Director of Sales, Short Line Division
Alex Buchko, *CA, CPA*	Management	Director of Finance, Buhler Industries Inc.
Min Lee, *I.S.M.*	Management	Chief Information Officer, Buhler Industries Inc.
Todd Trueman, *C.I.M., P.Mgr*	Management	Administrator & Customer Relations Manager

Ten Year Summary

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
					restated	restated	restated	restated	restated	
SUMMARY OF OPERATIONS	In thousands of Canadian dollars (except per share amounts)									
Revenue	79,961	116,700	187,633	232,619	181,162	206,130	202,319	175,067	166,189	218,955
Cost of goods sold	53,754	86,398	156,223	183,134	139,929	168,529	165,275	141,138	137,694	175,077
Gross profit	26,207	30,302	31,410	49,485	41,233	37,601	37,044	33,929	28,495	43,878
Selling & admin. expense	11,264	13,513	14,883	19,758	16,135	16,290	16,206	16,863	16,544	16,476
Income from operations	14,943	16,789	16,527	29,727	25,098	21,311	20,838	17,066	11,951	27,402
Gain on sale of capital assets	(346)	(1,039)	(733)	(134)	(726)	(2,010)	(119)	(801)	(3,689)	(10,812)
Interest expense (Income)	434	671	1,032	369	793	(68)	492	3,094	1,435	(221)
Amortization	5,126	5,520	7,684	7,339	6,894	6,812	6,411	6,133	4,768	3,933
Research & development exp.	577	1,043	1,895	2,850	3,683	2,903	3,342	3,183	2,003	2,621
Non-controlling interest	224	903	847	809	762	884	700	555	246	-
Net Earnings before taxes	8,928	9,691	5,802	18,494	13,692	12,790	10,012	4,902	7,188	31,881
Income taxes	3,131	2,393	(1,313)	5,134	3,648	3,824	3,291	2,956	316	9,971
NET EARNINGS	5,797	7,298	7,115	13,360	10,044	8,966	6,721	1,946	6,872	21,910
CASH FLOW SUMMARY										
Capital asset purchases	5,960	17,278	3,593	14,546	7,854	4,470	7,515	2,815	3,151	3,294
Long-term debt incurred	2,417	31,656	-	-	-	-	-	-	-	-
Reduction of long-term debt	-	-	2,894	795	1,657	3,628	3,360	3,315	3,315	18,852
Dividends Paid	1,992	2,209	2,435	2,584	2,760	2,990	3,500	3,750	7,500	-
Net cash flow	10,923	12,818	14,799	20,699	16,938	15,778	13,132	8,079	11,640	25,843
Net cash (Bank indebtedness)	(4,043)	(12,040)	(9,939)	(14,258)	(16,560)	15,360	(17,129)	(39,203)	10,733	14,512
BALANCE SHEET SUMMARY										
Acc'ts rec, cash & ppd. exp.	13,793	46,789	27,277	40,094	41,777	51,222	38,138	43,202	49,420	63,221
Inventory	20,610	52,846	60,179	70,361	90,495	73,762	105,979	104,888	69,668	74,492
Total current assets	34,403	99,635	87,456	110,455	132,272	124,984	144,117	148,090	119,088	139,352
Total assets	74,843	149,073	127,531	156,305	178,281	167,044	186,512	184,366	161,865	178,853
Total current liabilities	14,195	54,038	41,783	49,860	51,012	41,600	64,727	74,423	53,239	63,706
Total short and long term debt	7,587	47,240	42,245	57,743	60,409	29,870	45,398	61,813	19,011	2,082
Total liabilities	27,516	97,414	74,089	94,307	109,178	80,028	96,407	96,165	63,458	68,506
Total shareholders equity	47,327	51,659	53,442	61,998	69,282	87,377	90,593	88,795	88,167	110,077
Shares o/s (avg. in millions)	24.5	24.2	23.5	23.0	23.0	24.3	25.0	25.0	25.0	25.0
Working capital	20,208	45,597	45,673	60,595	81,260	83,384	79,390	73,667	65,849	75,646
DATA PER COMMON SHARE										
Revenue	$ 3.27	$ 4.82	$ 7.98	$ 10.11	$ 7.88	$ 8.47	$ 8.09	$ 7.00	$ 6.65	8.76
EBITDA	0.59	0.66	0.62	1.14	0.93	0.80	0.68	0.57	0.54	1.42
Price to EBITDA	5.2	5.4	5.8	4.6	6.0	9.0	10.9	9.9	12.9	3.8
EBIT	0.38	0.43	0.29	0.82	0.63	0.52	0.42	0.32	0.34	1.27
Net earnings	0.24	0.30	0.30	0.58	0.44	0.37	0.27	0.08	0.27	0.88
Price to earnings	12.91	11.85	11.90	9.04	12.75	19.54	27.34	71.94	25.10	6.17
Cash flow	0.45	0.53	0.63	0.90	0.74	0.65	0.53	0.32	0.47	1.03
Dividends Paid	0.08	0.09	0.10	0.11	0.12	0.13	0.14	0.15	0.30	0.30
Closing share price	3.06	3.57	3.60	5.25	5.57	7.20	7.35	5.60	6.90	5.41
Shareholders' equity	1.93	2.13	2.27	2.70	3.01	3.59	3.62	3.55	3.53	4.40
STATISTICAL DATA										
Current ratio	2.4	1.8	2.1	2.2	2.7	3.3	2.5	2.3	2.2	2.2
Interest bearing debt?equity ratio	0.1	0.2	0.2	0.2	0.2	-	0.2	0.4	0.1	-
Inventory turnover	2.7	2.8	2.6	2.6	1.5	2.3	1.6	1.3	2.0	2.4
Gross margin (% of revenue)	32.8%	26.0%	16.7%	21.3%	22.8%	18.2%	18.3%	19.4%	17.1%	20.0%
Selling & Admin. (% of revenue)	14%	12%	8%	8%	9%	8%	8%	10%	10%	8%
EBITDA (% of revenue)	18%	14%	8%	11%	12%	10%	9%	8%	7%	16%
Net earnings (% of revenue)	7%	6%	4%	6%	6%	6%	5%	3%	5%	10%
Return on average capital	18%	14%	8%	18%	13%	12%	8%	5%	7%	28%
Return on average equity	13%	15%	13%	23%	18%	14%	10%	5%	8%	20%